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FEDERAL TRADE COMMISSION

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

VAUGHN M. WILLIAMS, III,
individually and d/b/a ENCORE
NETWORKING SERVICES,

JOHN S. DICKSON,
a/k/a CHARLEY YATES,
individually and d/b/a
ENCORE NETWORKING SERVICES,

and

WARNER GREEN,
individually, d/b/a WARNER
COMMUNICATIONS SYSTEMS &
COMPANY, and d/b/a ENCORE
NETWORKING SERVICES,

Defendants.

Civ. No.

00-01083 WJR ALX

COMPLAINT FOR INJUNCTIVE
AND OTHER EQUITABLE RELIEF

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CLERK, U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

FILED

1 Plaintiff, the Federal Trade Commission ("FTC" or "the
2 Commission"), for its complaint alleges:

3 1. The FTC brings this action under Sections 5(a) and 13(b) of
4 the FTC Act, 15 U.S.C. §§ 45(a) and 53(b), to obtain temporary,
5 preliminary, and permanent injunctive relief, rescission of
6 contracts, restitution, disgorgement, and other equitable relief
7 for defendants' violations of Section 5(a) of the FTC Act, 15
8 U.S.C. § 45(a).

9 JURISDICTION AND VENUE

10 2. This Court has subject matter jurisdiction over this action
11 pursuant to 28 U.S.C. §§ 1331, 1337(a), and 1345, and 15 U.S.C.
12 § 53(b). This action arises under 15 U.S.C. § 45(a)(1).

13 3. Venue in the United States District Court for the Central
14 District of California is proper under 28 U.S.C. §§ 1391(b) and
15 (c), and 15 U.S.C. § 53(b).

16 THE PARTIES

17 4. Plaintiff, the Federal Trade Commission, is an independent
18 agency of the United States Government created by statute.
19 15 U.S.C. § 41 et seq. The Commission is charged, *inter alia*,
20 with enforcement of Section 5(a) of the FTC Act, 15 U.S.C.
21 § 45(a), which prohibits unfair or deceptive acts or practices in
22 or affecting commerce. The Commission is authorized to initiate
23 federal district court proceedings, by its own attorneys, to
24 enjoin violations of the FTC Act in order to secure such
25 equitable relief as may be appropriate in each case, and to
26 obtain consumer redress. 15 U.S.C. § 53(b).

27 5. Defendant Vaughn Williams, III ("Williams"), doing business
28 as Encore Networking Services ("Encore"), with its principal

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1 places of business at 2531 Sawtelle Boulevard, #236, Los Angeles,
2 CA 90064, 12228 Venice Boulevard, #378, Los Angeles, CA 90066,
3 12476 Venice Boulevard, Los Angeles, CA 90066, and 830 Sonoma
4 Boulevard, Vallejo, CA 94590, promotes and sells medical billing
5 employment opportunities. Williams is an owner of Encore. At
6 all times material to this complaint, acting alone or in concert
7 with others, he has formulated, directed, controlled or
8 participated in the acts and practices of the unincorporated
9 business entity, including the acts and practices set forth in
10 this complaint. He resides at 1420 West 87th Street, Los
11 Angeles, CA 90047, and has transacted business in the Central
12 District of California.

13 6. Defendant John S. Dickson, a/k/a Charley Yates ("Dickson"),
14 doing business as Encore Networking Services, with its principal
15 places of business at 2531 Sawtelle Boulevard, #236, Los Angeles,
16 CA 90064, 12228 Venice Boulevard, #378, Los Angeles, CA 90066,
17 12476 Venice Boulevard, Los Angeles, CA 90066, and 830 Sonoma
18 Boulevard, Vallejo, CA 94590, promotes and sells medical billing
19 employment opportunities. Dickson is an owner of Encore. At all
20 times material to this complaint, acting alone or in concert with
21 others, he has formulated, directed, controlled or participated
22 in the acts and practices of the unincorporated business entity,
23 including the acts and practices set forth in this complaint. He
24 resides at 16606 Covello Street, Van Nuys, CA 91406, or 4261
25 Tanager Common, Fremont, CA 94555, and has transacted business in
26 the Central District of California.

27 7. Defendant Warner Green ("Green"), doing business as Warner
28 Communication Systems & Company ("Warner") and as Encore

1 Networking Services, with Warner's principal places of business
2 at 12476 Venice Boulevard, Los Angeles, CA 90066, 5450 S.
3 Slauson Avenue, #20, Culver City, CA 90230, 5855 S. Centinela
4 Avenue, Culver City, CA 90230, and 6245 Bristol Parkway, #303,
5 Culver City, CA 90230, and Encore's principal places of business
6 at 2531 Sawtelle Boulevard, #236, Los Angeles, CA 90064, 12228
7 Venice Boulevard, #378, Los Angeles, CA 90066, 12476 Venice
8 Boulevard, Los Angeles, CA 90066, and 830 Sonoma Boulevard,
9 Vallejo, CA 94590, promotes and sells medical billing employment
10 opportunities. Green is an owner of Warner, which is the
11 predecessor company to Encore. At all times material to this
12 complaint, acting alone or in concert with others, he has
13 formulated, directed, controlled or participated in the acts and
14 practices of the unincorporated business entities, including the
15 acts and practices set forth in this complaint. He resides at
16 1613 S. Genesee Avenue, Los Angeles, CA 90019, and has transacted
17 business in the Central District of California.

18 8. Encore and Warner are affiliated companies controlled in
19 whole or in part by individual defendants Williams, Dickson, and
20 Green. They share office space, employees, business forms, and
21 telephone numbers, and cooperate and act in concert to carry out
22 the defendants' business practices as alleged herein. They
23 constitute a common enterprise for purposes of this proceeding.

24 COMMERCE

25 9. At all times relevant to this complaint, defendants have
26 maintained a substantial course of trade in the offering for sale
27 and sale of medical billing employment opportunities, in or
28

1 affecting commerce, as "commerce" is defined in Section 4 of the
2 FTC Act, 15 U.S.C. § 44.

3 DEFENDANTS' BUSINESS ACTIVITIES

4 10. Since at least October 1997, doing business as Warner
5 Communication Systems & Company, and then since at least October
6 1998, doing business as Encore Networking Services, and
7 continuing thereafter, defendants have engaged in a pattern of
8 fraudulent and deceptive practices by offering and selling bogus
9 medical billing employment opportunities to consumers.
10 Defendants use pretext and deception to induce consumers into
11 paying various sums of money to defendants. Consumers expect, in
12 return, that they will receive numerous leads that will result in
13 sizeable annual earnings. In fact, consumers are induced into
14 paying to the defendants various sums of money and receive
15 nothing of value in return. The defendants have promoted their
16 medical billing employment opportunities to prospective
17 purchasers in a variety of media, including classified
18 advertisements in newspapers.

19 11. In their advertisements, defendants typically offer full or
20 part-time medical billing jobs that will pay good salaries. The
21 defendants' advertisements state that the consumer can work at
22 home, doing medical claims processing, and urge consumers to call
23 defendants' toll-free telephone number to learn more about the
24 opportunity. For example, defendants' classified newspaper
25 advertisements typically state:

26 Medical Ins. Biller FT or PT
27 requires data entry exp.
28 knowl of Windows,
Gd sal & benefits.
914-961-7093 or

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1 1-800 886-5670 ext 834

2 Administrative Assistant.
3 F/T knowledge of Win-
4 dows req. Good starting
5 salary. Must call for inter-
6 view. 1-800-947-7166

7 12. Consumers who call the defendants' toll-free telephone
8 number are ultimately connected to the defendants, or their
9 employees or agents, who represent to consumers that in exchange
10 for one or two payments, totaling \$195 to \$259, consumers will
11 receive what they need to get started in medical billing,
12 including: (1) the software necessary to do electronic billing
13 for physicians in the consumer's local area, and (2) training and
14 other assistance.

15 13. The defendants or their employees or agents also make
16 representations over the telephone about the earnings potential
17 of the medical billing employment opportunity. For example, the
18 defendants or their employees or agents typically represent that
19 consumers can process a certain number of claims for medical
20 billing per week (generally between 100 and 500 claims per week)
21 from physicians with whom the defendants have business
22 arrangements. The defendants or their employees or agents claim
23 that consumers will be paid at a rate of at least \$3.00 to \$5.00
24 per claim they process. Accordingly, the minimum income the
25 defendants promise consumers is \$300 to \$2500 per week, or
26 \$15,600 to \$130,000 per year.

27 14. The defendants or their employees or agents also make
28 representations over the telephone about a 30-day refund policy
with no other restrictions or conditions. For example, consumers

1 are told that the software comes with a 30-day money back
2 guarantee, less \$10 deposit, if the consumer is not satisfied for
3 any reason.

4 15. When consumers receive the medical billing package sold by
5 defendants, it includes, *inter alia*, blank contracts and a list
6 containing contact information for physicians allegedly in need
7 of medical billing assistance. In numerous instances, when
8 consumers contact the physicians on the list, they are told by
9 the physicians that the physicians do not have any relationship
10 or arrangements with the defendants and neither want nor need
11 medical billing services.

12 16. As a result, few, if any, consumers who purchase the
13 defendants' medical billing employment opportunity earn, or will
14 earn, any income. In addition, few if any consumers receive, or
15 will receive, a refund, since defendants impose additional refund
16 conditions which are onerous or impossible to satisfy, such as
17 recruiting a minimum number of physicians or including a return
18 authorization number which defendants refuse to provide.

19 VIOLATIONS OF SECTION 5 OF THE FTC ACT

20 17. Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), provides
21 that "unfair or deceptive acts or practices in or affecting
22 commerce are hereby declared unlawful."

23 COUNT I

24 18. In numerous instances in the course of offering for sale
25 and selling their medical billing employment opportunities,
26 defendants or their employees or agents have represented,
27 expressly or by implication, that consumers who purchase
28

1 defendants' business venture will earn at least \$15,600.00 per
2 year.

3 19. In truth and in fact, few, if any, consumers who purchase
4 defendants' business venture earn, or will earn, at least
5 \$15,600.00 per year.

6 20. Therefore, defendants' representation as set forth in
7 Paragraph 18 is false and misleading and constitutes a deceptive
8 act or practice in violation of Section 5(a) of the FTC Act,
9 15 U.S.C. § 45(a).

10 COUNT II

11 21. In numerous instances in the course of offering for sale
12 and selling their medical billing employment opportunities,
13 defendants or their employees or agents have represented,
14 expressly or by implication, that they will arrange for consumers
15 to receive medical billing work from physicians with whom the
16 defendants have established relationships.

17 22. In truth and in fact, the defendants do not arrange for
18 consumers to receive medical billing work from physicians with
19 whom the defendants have established relationships.

20 23. Therefore, defendants' representation as set forth in
21 Paragraph 21 is false and misleading and constitutes a deceptive
22 act or practice in violation of Section 5(a) of the FTC Act,
23 15 U.S.C. § 45(a).

24 COUNT III

25 24. In numerous instances in the course of offering for sale
26 and selling their medical billing employment opportunities,
27 defendants have represented, expressly or by implication, that
28 they will provide refunds to consumers who are unsatisfied with

1 the program within 30 days, upon request, without other
2 restrictions or conditions.

3 25. In truth and in fact, in numerous instances, defendants
4 have not provided refunds to consumers upon request, without
5 other restrictions or conditions.

6 26. Therefore, defendants' representation as set forth in
7 Paragraph 24 is false and misleading and constitutes a deceptive
8 act or practice in violation of Section 5(a) of the FTC Act,
9 15 U.S.C. § 45.

10 CONSUMER INJURY

11 27. Consumers nationwide have suffered or will suffer
12 substantial monetary loss as a result of defendants' violations
13 of Section 5(a) of the FTC Act. Absent injunctive relief by this
14 Court, defendants are likely to continue to injure consumers and
15 harm the public interest.

16 THIS COURT'S POWER TO GRANT RELIEF

17 28. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), empowers
18 this Court to grant injunctive and other ancillary relief,
19 including consumer redress, disgorgement and restitution, to
20 prevent and remedy any violations of any provision of law
21 enforced by the Federal Trade Commission.

22 29. This Court, in the exercise of its equitable jurisdiction,
23 may award ancillary relief to remedy injury caused by the
24 defendants' law violations.

25 PRAYER FOR RELIEF

26 WHEREFORE, plaintiff requests that this Court, as authorized by
27 Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), and pursuant to
28 its own equitable powers:

1 1. Award plaintiff such preliminary injunctive and ancillary
2 relief, including a temporary restraining order, as may be
3 necessary to avert the likelihood of consumer injury during the
4 pendency of this action and to preserve the possibility of
5 effective final relief;

6 2. Permanently enjoin the defendants from violating the FTC
7 Act, as alleged herein;

8 3. Award such relief as the Court finds necessary to redress
9 injury to consumers resulting from the defendants' violations of
10 the FTC Act, including but not limited to, rescission of
11 contracts, the refund of monies paid, and the disgorgement of
12 ill-gotten gains; and

13 4. Award plaintiff the costs of bringing this action, as well
14 as such other and additional relief as the Court may determine to
15 be just and proper.

16
17 Respectfully submitted,

18 DEBRA A. VALENTINE
19 General Counsel

20 *Ann F. Weintraub* *January 26, 2000*

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